

July 1, 2004

Ms. Jennifer Johnson
Secretary of the Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. OP-1196

Dear Ms. Johnson:

Navy Federal Credit Union provides the following comments in response to the Federal Reserve Board's (Board) study and request for comment on the disclosure of debit card PIN-use fees at the point-of-sale. Navy Federal is the nation's largest natural person credit union with over \$20 billion in assets and 2.4 million members.

Navy Federal believes that the current disclosure requirements set forth in Regulation E are sufficient to inform consumers about debit card PIN-use fees at the point-of-sale. Currently, card-issuing financial institutions must disclose these fees as separate line items in their initial account disclosures, as well as in the aggregate with other fees on consumers' periodic account statements. We believe that this existing disclosure framework adequately informs the consumer of the fee both prior to use of the debit card in the initial account disclosures, as well as after he/she uses the card (and potentially incurs a PIN-use fee) in the periodic account statement.

The Board asks commenters to address whether enhanced fee disclosures should be required at the point-of-sale. We would oppose a proposal by the Board to require financial institutions to disclose PIN-use fees at the point-of-sale. Currently, we do not believe that cost-effective technology is available to allow financial institutions to disclose these fees either on merchants' point-of-sale terminals or receipts. Any requirement for such disclosure may be burdensome and costly to both merchants and financial institutions because a change in technology may require investment in upgraded point-of-sale card readers and processing/settlement systems. Further, given the multitude of financial institutions in existence and the varying PIN-use fees each of them may charge, programming all point-of-sale card readers to disclose PIN-use fees specific to each card-issuing institution may be difficult at best. Further, to our knowledge it is not a currently available point-of-sale option.

Navy Federal does not impose fees on our members for engaging in PIN-based, as opposed to signature-based, debit transactions. However, if the Board chooses to require financial institutions to disclose PIN-use fees at the point-of-sale, we believe all institutions involved in a point-of-sale network (not just the ones imposing PIN-use fees) would be affected. In the future, if the Board requires display of card-issuing institutions' PIN-use fees at point-of-sale terminals, we believe that point-of-sale networks may require development of new network transactions. New transactions will require testing and recertification for each financial institution in the network. Going through this

Ms. Jennifer Johnson
Page 2
July 1, 2004

process for a fee that we do not charge would be onerous, especially since PIN-use fees are already disclosed to members in the initial disclosures and on the periodic account statements.

Further, we believe that requiring institutions to disclose PIN-use fees at the point-of-sale would be inconsistent with Regulation E's treatment of ATM transaction fees. Card-issuing institutions have little to no control over disclosures at ATMs they do not own (i.e., nonproprietary ATMs), and therefore cannot disclose fees they might charge to their members for use of a non-proprietary ATM on that ATM. A point-of-sale terminal is similar to a non-proprietary ATM in that an institution cannot customize another terminal owner's display or receipt to its own fee structure.

The Board also asks whether we believe periodic account statement disclosures should contain a summary of the total amount of debit card transaction fees accumulated both in a statement cycle and calendar year-to-date. We believe such a requirement would be inconsistent with other, similar Regulation E periodic statement fee disclosure provisions. Currently, Regulation E allows financial institutions to aggregate transaction fees imposed on consumers during the cycle on the periodic account statements. Navy Federal does not believe that fees imposed on consumers for engaging in PIN-based, as opposed to signature-based, debit card transactions are more burdensome than other types of transaction fees; therefore, we do not believe the Board should require institutions to separately disclose these fees on periodic account statements.

In summary, we do not support changing the disclosure rules for debit card PIN-use fees at the point-of-sale. If the Board, however, chooses to impose additional PIN-use fee disclosures, we believe any changes would be most effective if they were limited to the initial disclosures or periodic account statements. Members are more likely to retain these disclosures; therefore, we believe these disclosures are more likely to be of assistance to members when they are reconciling their account statements. Fee disclosures at the point-of-sale, on the other hand, are more fleeting and subsequently less effective as a tool for member disclosure.

Navy Federal appreciates the opportunity to comment on the Board's study of the disclosure of debit card fees.

Sincerely,

A handwritten signature in black ink, appearing to read "W. A. Earner", with a stylized flourish at the end.

W. A. Earner
Acting President/CEO

WAE/slb